



THE COMMONWEALTH OF MASSACHUSETTS  
OFFICE OF CAMPAIGN & POLITICAL FINANCE

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MICHAEL J. SULLIVAN

DIRECTOR

August 18, 1995  
AO-95-28

Mr. Timothy H. White  
14 Berkley Circle  
Hingham, MA 02043

Re: Co-Op Eight fundraising

Dear Mr. White:

This letter is in response to your July 19, 1995 request for an advisory opinion regarding fundraising by the town committees comprising the Co-Op Eight Political Action Committee of the South Shore Democratic Committees ("the Co-op Eight PAC").

You have stated that the Co-Op Eight PAC is made up of representatives from eight Democratic town committees, including Cohasset, Duxbury, Hingham, Hull, Marshfield, Norwell, Scituate and Weymouth. The PAC's purpose is the promotion of the Democratic party through cooperative planning, fundraising and local Democratic participation.

The PAC holds an annual fundraising event, which is sponsored each year by a different member town. Local town committee members sell tickets for the event, and funds received are deposited into the PAC's account. Each town committee is equally responsible for the expenses of an event. For example, if there are \$800 in expenses, then each town committee is responsible for \$100. If receipts exceed expenses, profits are distributed to the eight town committees directly in proportion to the number of tickets each town committee sold.

You have asked if the eight town committees can dissolve the PAC but continue to use the Co-Op Eight name to identify a joint fundraising agent responsible for conducting the annual fundraiser. Co-Op Eight would act as an agent of the eight town committees, would open a separate bank account in the name of the Co-Op, and each town would remain equally responsible for expenses. If receipts exceed the expenses then the profits would be distributed to the eight town committees in proportion to the number of tickets sold by each town committee and reported as contributions from individuals to the town committees.

In addition to distributing net proceeds, Co-Op Eight must "attribute" contributions from individuals to each participating committee based on gross proceeds received by

Co-Op Eight. For example, if only two \$100 tickets are sold, and they are both sold by the same committee, both contributions would be attributed to that committee, i.e., that committee would be deemed to have received both contributions. Such attribution would be required even if Co-Op Eight, in addition to "seed money" provided by participating committees in advance of the event, uses a portion of the event's \$200 of gross proceeds to pay for obligations incurred in conducting the event.

You have also asked what record keeping and reporting requirements result for the Co-Op and for each of the local town committees and what steps need be taken to dissolve the Co-Op Eight political action committee.

I will answer each of your questions separately.

1. The Co-Op Eight PAC may dissolve and become a joint fundraising agent for the eight town party committees.

Campaign finance legislation recently enacted in Massachusetts, by ch. 43 of the Acts of 1994, indicates that "bona fide" joint fundraising activities by local political party committees are permissible. See M.G.L. c. 55, s. 10A, and an advisory opinion recently issued by this office, AO-95-14.

In AO-95-14, this office advised that local political party committees could designate a fundraising agent to conduct a joint fundraising activity on behalf of the committees. In your case, the agent may be called "Co-Op Eight." Prior to becoming a joint fundraising agent, the Co-Op Eight PAC may make contributions to the town committees, or to any other recipient provided the contribution is consistent with the campaign finance law. To dissolve, the PAC must file a dissolution report (using Form CPF 102PC) reflecting all campaign finance activity subsequent to the filing of the PAC's most recent report. Any remaining "residual" funds still in the PAC's account must be distributed as specified in the residual funds clause of M.G.L. c. 55, s. 18.

Co-Op Eight, after dissolving its political committee, should open a separate, segregated checking account and ensure that contributions are made payable to Co-Op Eight, not to the individual town committees. In addition, Co-Op Eight may not accept contributions of \$50 or more unless such contributions are made by personal check. See M.G.L. c. 55, s. 9. The contributors to Co-Op Eight's joint fundraising activity should be advised that they are subject to the limitations imposed by the campaign finance law on contributions to local political party committees.

Therefore, (1) an individual, PAC, people's committee, or other party committee may make a contribution to Co-Op Eight only to the extent such contribution, together with all other contributions to all Democratic party committees in Massachusetts, does not exceed the \$5,000 aggregate annual limit; (2) legislative and executive agents are limited to

contributions of \$200 in a calendar year to any ward, town or city committee (i.e., a legislative agent could contribute \$1,600 to the Co-Op Eight, assuming no other contributions are made by the agent to any of the eight participating committees during a calendar year); and (3) constitutional candidates may only give \$100 a year in total to any one ward, town or city committee and are limited to \$1,500 total to all ward, town or city committees in any calendar year (i.e., a constitutional candidate, assuming no other contributions are made by the candidate to any of the participating committees, may give \$800 to the Co-Op Eight). See M.G.L. c. 55, s. 6.

To the extent the eight committees participating in the event make expenditures or incur liabilities in connection with the event, they must make expenditures or incur liabilities equally. For example, if \$800 must be spent for initial expenses of Co-Op Eight, each committee would be responsible for paying \$100 to Co-op Eight prior to the event. Each committee must report its expenditures and liabilities to this office on Form CPF 102 WTC, the campaign finance report filed pursuant to M.G.L. c. 55, s. 18.

All proceeds obtained by Co-Op Eight must be distributed, within thirty days of each event, to each committee. The distribution should be reflected in the joint fundraising report and in the campaign finance reports (Form CPF 102 WTC) filed by the committees.

In AO-95-14, we stated that a joint fundraising agent could distribute all proceeds obtained in a fundraiser to each participating committee in equal amounts. You have asked if instead of that method of sharing proceeds, each participating committee may receive a distribution determined by the number of tickets sold by each committee. You state that this method encourages each town committee to sell as many tickets as possible.

The campaign finance law does not specify the appropriate methods for distributing proceeds from a joint fundraising activity. The statute only requires that the event be "bona fide." As we indicated in AO-95-14, a joint fundraising event is "bona fide" if it is truly a "joint" event and is not used to circumvent the campaign finance law. Therefore, a joint fundraising agent of several town party committees<sup>1</sup> may distribute proceeds in any predetermined method, which is agreed upon in writing by each participating committee. The method must also fairly reflect the relative contribution or efforts of each participating committee.

For example, assuming (1) four town committees, A, B, C and D hold a joint fundraising event, (2) each committee pays \$250

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<sup>1</sup> This opinion only addresses one method for distributing the proceeds of a joint fundraising event held by several town party committees. Different considerations exist where candidates, candidate committees, and other committees sponsor fundraising events.

to the joint fundraising agent prior to the event as "seed money," (3) the cost of the event (paid for from the \$1,000 of seed money and from \$500 of proceeds from the event) is \$1,500, and (4) 50 tickets are sold for \$100 per ticket, net proceeds of \$4,500, if distributed based on the number of tickets sold by each committee, would be distributed as follows:

Town	Tickets Sold	Percent Tickets Sold	Gross Ticket Revenue	Net Proceeds <sup>2</sup> Distributed
A	25	50	\$2,500	\$2,250
B	15	30	1,500	1,350
C	10	20	1,000	900
D	0	0	0	0
<b>Total</b>	<b>50</b>	<b>100</b>	<b>\$5,000</b>	<b>\$4,500</b>

## 2. Recordkeeping requirements.

Complete and accurate record-keeping is critical to ensure compliance with the campaign finance law. Therefore, Co-Op Eight should make copies of all records reflecting contributions received and expenditures made by the Co-Op Eight in connection with the event. A set of copied records must be provided to each participating committee within thirty days of the event.

## 3. Reporting requirements.

Co-Op Eight should prepare a written "joint fundraising report" for each event which will reflect: (1) the total contributions received by the Co-Op, (2) total expenditures<sup>3</sup>, (3) the amount paid to the Co-Op by each participating committee (these amounts will also be reflected, as expenditures, in the campaign finance report filed by a

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<sup>2</sup> Net proceeds to be distributed to each participating committee would be determined in this instance by multiplying net proceeds (\$4,500) by the percent of the total number of tickets sold by each committee. Since the joint fundraising agent used \$500 of proceeds to pay expenses, the net proceeds would be less than the total amount attributed as contributions to each participating committee.

<sup>3</sup> The Co-Op may make expenditures only to defray costs of the event. General operating expenses of a participating committee, which are not associated with an event, should be paid by the committee with funds separately raised by the committee, or alternatively, using proceeds distributed to the committee after the event.

participating committee), (4) the name, address, occupation, and employer of any contributor who makes a contribution, of which \$200 or more is attributed to any participating committee, (5) the total amount contributed by each contributor, (6) the amount of each contribution attributable to each committee (in this instance, the total contributed by a contributor multiplied by the percent of total ticket sales made by a committee), (7) a description of each in-kind contribution received by the Co-Op reflecting the date received, the value of the contribution, the contributor, the residential address of the contributor, and the occupation and employer of the contributor if any participating committee would be required to attribute contributions received in connection with the event, in-kind and otherwise, of \$200 or more from the contributor, and (8) the share of proceeds received by each committee (which will also appear as a receipt in a participating committee's campaign finance report). The Co-Op may not incur liabilities on its own behalf.

The joint fundraising report should be duplicated and a copy provided to each committee, and each committee must file a copy of the joint report with the committee's next campaign finance report. Each committee treasurer is responsible for ensuring the report's accuracy.

In our example, all \$4,500 of net proceeds received would be deposited in the Co-Op Eight account, and the event report completed by Co-Op Eight would reflect the initial \$1,000 in contributions from the town committees for seed money, the \$500 in additional expenses, and the \$5,000 in contributions for the 50 tickets at \$100 each purchased by individuals. Since each ticket was greater than \$50, the names and addresses of each individual, as well as the other information specified above, would be reported on the Co-Op Eight report. The Co-Op Eight treasurer would issue a check for the total amount due each town committee, if any, and forward a copy of the joint fundraising event report to each committee. The report would indicate what proportion of each contributor's \$100 contribution, before any payment of expenses in connection with the event by Co-Op Eight, was attributable to each town committee.

The report and the proceeds must be provided to the participating committees within thirty days of the event.

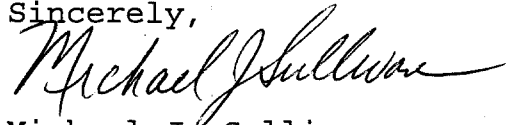
In the example given above, each town committee would only report the initial \$250 seed money expenditure on its Schedule "B" of the town next committee's campaign finance report and its share of the distribution received from the event, i.e. \$2,250, 1,350, 900 or 0. A copy of the Co-Op Eight event report would be attached to the town committee report.

This opinion has been rendered solely on the basis of representations made in your letter, and solely in the context of M.G.L. c. 55.

Timothy H. White  
August 18, 1995  
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Please do not hesitate to contact this office  
should you have additional questions about this or any other  
campaign finance matter.

Sincerely,

A handwritten signature in cursive script, reading "Michael J. Sullivan". The signature is written in dark ink and is positioned above the printed name and title.

Michael J. Sullivan  
Director

MJS/cp